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Contract

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MEMORANDUM FOR: Deputy Director (Administration)

FROM: Chief of Logistics

SUBJECT: Request for Authority to Reject Bids Received
in Response to Invitation for Bids

1. Authority is requested in accordance with Section 3(b) of Public Law 413, 80th Congress, as referred to in Section 3(a) of Public Law 110, 81st Congress, to reject all bids received by this office in response to an invitation for bids on crystals and to procure the required crystals by readvertisement. The circumstances leading to the proposed rejection of bids and readvertisement are set forth below.

2. Invitation for Bids No. 19-55 was issued for furnishing and delivering 100,000 crystals conforming to specifications having certain resistance requirements essential to the Office of Communications which are over and above Military Specifications for similar items. A copy of the Invitation for Bids is attached as Enclosure 1. In response to the invitation, bids were received from seven bidders of which the Reeves-Hoffman Corporation, Carlisle, Pennsylvania, submitted the lowest unqualified bid in the amount of \$93,000.00. A tabulation of all bids received is attached as Enclosure 2.

3. Within several days after the opening of bids under the invitation, and prior to making an award thereunder, the Reeves-Hoffman Corporation informed this office that they wished to withdraw their bid since they had overlooked the additional requirements for resistance as outlined on the graph which was attached to the bid request. This bidder contended that the crystal units could not be made by their present production techniques to meet resistance requirements as specified. A letter confirming this request was submitted by the Reeves-Hoffman Corporation under date of 5 November, which is attached as Enclosure 3.

4. A discussion held with the second lowest bidder, Scientific Radio Products, Inc., Omaha, Nebraska, disclosed that while the specifications have certain resistance restrictions greater than the Military Specifications, the requirements cited therein could be met. This bidder had offered in its bid to supply the crystals at \$.95 each and implied during the discussion and in a subsequent letter, that it could furnish the crystals at the same price offered by the lowest bidder.

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5. In view of the allegation of the low bidder that the crystals could not be made by their present production techniques to meet the Agency's resistance requirements, a member of the Procurement Division, who is a qualified electrical engineer, was sent to the Reeves-Hoffman Corporation's plant to investigate their production techniques and facilities. This representative found that a number of crystal units were acceptable under the Military Specification but did not meet the special resistance requirements which are a part of the specifications given in the invitation for bids. Two units which were just within the special resistance requirement at room temperature, could not meet the temperature stability requirements. These crystals, which were representative as the best that Reeves-Hoffman could manufacture under their production techniques, did not meet Agency requirements.

6. Although the Agency has every legal right to award a contract pursuant to the invitation for bids to the Reeves-Hoffman Corporation and to expect complete performance by this firm, it is believed that a contract let under these circumstances would not be to the best interest of the Agency, in that material furnished thereunder would, at best, only meet the minimum requirements of the specifications and could lead to litigation through default. It is recommended, therefore, that award of the contract not be made to the Reeves-Hoffman Corporation under the authority cited in Army Procurement Procedure, Section II, Part 4, Paragraph 2-406.1 which states in part "Responsible Bidder. If the low bidder's qualifications to perform the proposed contract are not known to the Contracting Officer, the bidder's qualifications should be checked and if found unsatisfactory, award should not be made. * * * (Underlining supplied).

7. It is further recommended that award not be made to the second lowest bidder under the invitation at the bid price of \$.95 each, but that all bids be rejected and the entire procurement be readvertised for bids since it is believed, based on statements made by the second lowest bidder, that the crystals can be obtained at a bid price of \$.93 or less.

8. In view of the foregoing, it is requested that authority be granted to reject all bids received in response to Invitation for Bids No. 19-55 and that this procurement be effected through a readvertisement for bids.

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Reels:

CONCUR:

Office of General Counsel

LO/PD/CB/HJP:d1 (16 Dec 54)

Acting Chief of Legislation

APPROVED:

15/ L. K. White 28 Dec 54
Deputy Director (Administration)

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